



CONNECTICUT  
BUSINESS & INDUSTRY  
ASSOCIATION

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**TESTIMONY BEFORE THE  
INSURANCE AND REAL ESTATE COMMITTEE  
LEGISLATIVE OFFICE BUILDING  
FEBRUARY 24, 2015**

My name is Jennifer Herz and I am Assistant Counsel for the Connecticut Business and Industry Association (CBIA). CBIA has been representing Connecticut's employers for 200 years and our goal is to foster a dynamic business climate. Our members include businesses from across the state of all sizes and industry types and we are proud to say the vast majority of our members are small companies employing less than 50 people.

CBIA's members are concerned about cost and quality in Connecticut's healthcare system. Connecticut employers help their employees pay for health insurance and rising premiums make it increasingly more difficult for employers to help their employees pay. Equally important, employers value the bottom line impact of healthy employees because that means a productive, innovative workforce.

There are a number of bills on today's agenda that may impact the cost of health insurance in Connecticut – instead of looking at them individually – it is important to look at the bills and the impact on the cost of health insurance in Connecticut in the aggregate. Furthermore, keep in mind that many small employers and individuals are already very concerned about the cost of health insurance. In a recent survey, CBIA's members listed healthcare costs among the top 3 issues keeping them up at night – right behind national and state economy.<sup>1</sup> And, I am sure many of you have firsthand knowledge from your friends and neighbors about the concerns regarding the rising cost of health insurance.

With that aggregate impact in mind here are a number of bills that will impact cost in Connecticut.

SB 11 has Access Health – the state's exchange – negotiate health insurance premiums with carriers. **CBIA urges you to reject SB 11** because this bill would hamper competition in the market. Competition delivers the best service and price. But, this bill would work against those forces by creating an unlevel playing field. Instead, insurers should be encouraged to continue to innovate and offer new plans in the market – driven by consumer demand. Furthermore, rates are reviewed by the Connecticut Department of Insurance and based on actuarial data. Negotiating these approved rates may shift the cost of the "less expensive" premiums to other sectors – similar to problems with see with Medicaid cost shifting. It is my understanding this concept is driven by a desire to lower the cost of health insurance – a goal CBIA's shares. However, CBIA believes there are other means to address cost issues in healthcare besides creating an unlevel playing field.

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<sup>1</sup> See 2014 Survey of Connecticut Business: [http://www5.cbiam.com/newsroom/wp-content/uploads/2014/09/BlumShapiro\\_14.pdf](http://www5.cbiam.com/newsroom/wp-content/uploads/2014/09/BlumShapiro_14.pdf) (page 5)

SB 754 addresses another cost in Connecticut's health insurance formula – Access Health's fee. While CBIA certainly appreciates the reality that Access Health (the State's exchange) must be self-sufficient the cost of its operations directly adds to premium in the individual and small group market. Currently, the Access Health's assessment is set at 1.35% of premium and is passed through to all individual and small group premiums in Connecticut – regardless of whether they use the state's exchange. Access Health Board of Director's March 2014 presentations indicated that in 2014 the assessment was estimated to total \$25.7 million.<sup>2</sup>

To put that into perspective here are estimates of that fee:

- Thirty-One year old individual would pay about: \$60 per year
- Family of four would pay about: \$195 per year

This fee certainly contributes to the rising premiums faced by Connecticut's small employers and their employees.

Senate Bill 25 puts a cap the cost of prescription drugs at \$100 for a 30-day supply. Such caps often equate to shifting the cost of that prescription to the insurance premium. The broad impact of the current language means it may have an impact on health insurance premiums in Connecticut. SB 6736 is another example of cost-shifting. This bill prohibits carriers from setting payment amounts for non-covered benefits.

These bills, together with other proposed mandates, create a pattern of cost increases that are setting the tone for the price concerns we are facing in Connecticut. And, the backdrops for these bills are other costs – both state and federal:

- State Innovation Model tax: \$3.2 million through the Insurance Department fund passed last year as well as challenges from this year's budget.
- Immunization Fund: \$9 million a short while ago, up to \$30 million last year
- Federal taxes & Fees:
  - Reinsurance Fund – \$63 per person
  - PCORI Fee – \$2 per person
  - HIT Tax – \$14.3 billion in 2018

In order to address the significant cost issues faced by payers in Connecticut we should analyze healthcare legislation in the aggregate for its short and long term impacts on health insurance. It is vital that we appreciate the cost drivers and set Connecticut's policy accordingly.

Thank you for the opportunity to offer CBIA's comments.

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<sup>2</sup> Access Health Board of Directors Presentation, March 2014:  
[http://www.ct.gov/hix/lib/hix/03272014\\_AHCT\\_Board\\_Meeting\\_Ppt\\_MASTER\\_%5BRead-Only%5D.pdf](http://www.ct.gov/hix/lib/hix/03272014_AHCT_Board_Meeting_Ppt_MASTER_%5BRead-Only%5D.pdf) (see page 26)